

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 93,440	\$ 35,670	\$ 129,110	\$ 3,373
Investments	3,428	-	3,428	7,029
Receivables				
Taxes	4,361	-	4,361	-
Sales taxes	7,210	-	7,210	-
Grants	-	-	-	132
Leases	-	-	-	43,635
Trade accounts	96	6,704	6,800	-
Franchise fees	7,053	-	7,053	-
Unbilled trade accounts	-	5,456	5,456	-
Special assessments	528	-	528	-
Accrued interest	828	-	828	19
Settlement agreement	-	-	-	11,479
Other	5,178	803	5,981	9
Internal balances	403	(403)	-	-
Due from component units	86	-	86	-
Due from other governments	1,739	-	1,739	-
Deferred charge - issuance costs	50	-	50	-
Inventory of supplies, at cost	508	8,170	8,678	7
Prepaid expenses	51	-	51	21
Restricted assets-				
Bond contingency-				
Investments	-	12,155	12,155	-
Accrued interest receivable	-	127	127	-
Capital construction-				
Investments	-	35,291	35,291	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	3,522	3,522	-
Capital Assets-				
Land	68,373	9,446	77,819	43,515
Buildings and improvements	138,577	16,435	155,012	157,625
Water and sewer system	-	433,787	433,787	-
Machinery and equipment	36,779	12,844	49,623	1,550
Infrastructure	678,396	-	678,396	-
Accumulated depreciation	(419,189)	(147,096)	(566,285)	(32,153)
Construction in progress	110,408	61,456	171,864	-
Total Assets	\$ 738,303	\$ 494,371	\$ 1,232,674	\$ 236,241

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2002
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 7,347	\$ 3,932	\$ 11,279	\$ 1,026
Arbitrage rebate	824	-	824	-
Retainage payable	1,611	-	1,611	10
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	1,283	1,283	-
Retainage payable	-	471	471	-
Accrued interest	1,978	1,740	3,718	-
Revenue bonds payable, current	-	3,855	3,855	-
Meter deposits	-	3,522	3,522	-
Due to primary government	-	-	-	86
Due to other governments	1,250	-	1,250	-
Deferred revenue-				
Taxes	50	-	50	-
Other	6,492	-	6,492	43,641
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,522	-	5,522	-
Sales tax payable	112	-	112	55
General obligation debt	27,420	-	27,420	-
Accrued compensated balances	1,192	57	1,249	-
Capital lease obligation	123	-	123	-
Revenue bonds, net of discount, payable from unrestricted assets	-	7,502	7,502	-
Due in more than one year:				
Estimated claims payable	3,392	-	3,392	-
Sales tax payable	1,379	-	1,379	682
Bonds payable	-	-	-	17,109
General obligation debt	272,230	-	272,230	-
Landfill closure accrued liabilities	-	12,049	12,049	-
Accrued compensated balances	19,170	1,672	20,842	-
Revenue bonds, net of discount, payable from unrestricted assets	-	83,218	83,218	-
Total Liabilities	350,092	119,301	469,393	62,609
NET ASSETS				
Invested in capital assets, net of related debt	357,316	307,741	665,057	153,428
Restricted for debt service	2,259	-	2,259	1,455
Unrestricted	28,636	67,329	95,965	18,749
Total Net Assets	\$ 388,211	\$ 375,070	\$ 763,281	\$ 173,632

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 34,330	\$ 9,121	\$ -	\$ 25	\$ (25,184)	\$ -	\$ (25,184)	\$ -
Public safety	90,417	7,966	2,131	90	(80,230)	-	(80,230)	-
Public works	55,327	8,341	1,394	8,234	(37,358)	-	(37,358)	-
Public health	2,100	227	8	-	(1,865)	-	(1,865)	-
Parks and recreation	20,669	8,190	-	4,123	(8,356)	-	(8,356)	-
Public welfare	5,288	-	5,897	37	646	-	646	-
Convention and event services	5,426	5,635	-	-	209	-	209	-
Interest and fiscal charges	15,674	-	-	-	(15,674)	-	(15,674)	-
Total Governmental Activities	<u>229,231</u>	<u>39,480</u>	<u>9,430</u>	<u>12,509</u>	<u>(167,812)</u>	<u>-</u>	<u>(167,812)</u>	<u>-</u>
Business-Type Activities:								
Water and sewer	68,106	80,747	-	6,636	-	19,277	19,277	-
Landfill	7,743	7,897	-	-	-	154	154	-
Total Business-Type Activities	<u>75,849</u>	<u>88,644</u>	<u>-</u>	<u>6,636</u>	<u>-</u>	<u>19,431</u>	<u>19,431</u>	<u>-</u>
Total Primary Government	<u>\$ 305,080</u>	<u>\$ 128,124</u>	<u>\$ 9,430</u>	<u>\$ 19,145</u>	<u>\$ (167,812)</u>	<u>\$ 19,431</u>	<u>\$ (148,381)</u>	<u>\$ -</u>
Component Units:								
Arlington Sports Facilities Development Authority, Inc.	\$ 16,765	\$ 2,213	\$ -	\$ -	\$ -	\$ -	\$ -	(14,552)
Arlington Housing Authority	22,245	-	22,248	47	-	-	-	50
Arlington Convention and Visitors Bureau	3,303	2,506	645	-	-	-	-	(152)
Arlington Housing Finance Authority	1	46	-	-	-	-	-	45
Arlington Industrial Development Corporation	-	-	-	-	-	-	-	-
Total Component Units	<u>\$ 42,314</u>	<u>\$ 4,765</u>	<u>\$ 22,893</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,609)</u>
General Revenues:								
Taxes					134,489	-	134,489	3,432
Utility franchise fees					29,667	-	29,667	-
Interest					3,888	2,394	6,282	278
Net increase (decrease) in fair value of investments					(380)	(251)	(631)	67
Transfers					4,705	(4,705)	-	-
Other					3,585	-	3,585	5
Total general revenues					<u>175,954</u>	<u>(2,562)</u>	<u>173,392</u>	<u>3,782</u>
Change in net assets					8,142	16,869	25,011	(10,827)
Net assets - beginning					380,069	358,201	738,270	184,459
Net assets - ending					<u>\$ 388,211</u>	<u>\$ 375,070</u>	<u>\$ 763,281</u>	<u>\$ 173,632</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,871	\$ 1,829	\$ 32,765	\$ 41,743	\$ 82,208
Investments	-	2	-	-	2
Receivables (net of allowance for uncollectibles)					
Taxes	3,126	-	-	1,235	4,361
Sales taxes	7,210	-	-	-	7,210
Franchise fees	7,053	-	-	-	7,053
Special assessments	-	-	528	-	528
Accrued interest	790	-	-	-	790
Other	2,290	-	-	2,888	5,178
Due from other funds	1,817	-	-	-	1,817
Due from component units	86	-	-	-	86
Due from other governments	-	-	-	1,739	1,739
Inventory of supplies, at cost	279	-	-	-	279
Prepaid expenditures	48	-	-	3	51
Total Assets	\$ 28,570	\$ 1,831	\$ 33,293	\$ 47,608	\$ 111,302
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,749	\$ 84	\$ 622	\$ 2,369	\$ 6,824
Retainage payable	40	-	988	583	1,611
Due to other funds	-	-	-	1,817	1,817
Due to other governments	-	-	-	1,250	1,250
Deferred revenue-					
Taxes	3,032	-	-	-	3,032
Other	1,042	-	838	5,654	7,534
Total Liabilities	7,863	84	2,448	11,673	22,068
Fund Balances:					
Reserved for encumbrances	1,526	-	12,739	9,376	23,641
Reserved for debt service	-	1,747	-	512	2,259
Reserved for inventory	279	-	-	-	279
Reserved for prepaids	48	-	-	3	51
Reserved for capital maintenance	-	-	-	468	468
Reserved for capital projects	-	-	18,106	22,481	40,587
Reserved for street maintenance	-	-	-	379	379
Reserved for capital outlay	-	-	-	229	229
Reserved for utility rate case	500	-	-	-	500
Unreserved-					
General fund					
Designated for telecommunications	754	-	-	-	754
Designated for working capital	12,195	-	-	-	12,195
Designated for subsequent years' expenditures	3,429	-	-	-	3,429
Designated for arbitrage	824	-	-	-	824
Designated for compensated absences	1,152	-	-	-	1,152
Special revenue funds	-	-	-	2,487	2,487
Total Fund Balances	20,707	1,747	30,845	35,935	89,234
Total Liabilities and Fund Balances	\$ 28,570	\$ 1,831	\$ 33,293	\$ 47,608	\$ 111,302

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet	\$ 89,234
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	601,533
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,024
Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' comp. and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	17,238
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(323,818)
Net assets of governmental activities	<u>\$ 388,211</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 90,848	\$ 39,091	\$ -	\$ 4,490	\$ 134,429
Licenses and permits	3,837	-	-	-	3,837
Utility franchise fees	29,635	-	-	-	29,635
Fines and forfeitures	6,787	-	-	-	6,787
Leases, rents and concessions	3,548	-	-	-	3,548
Service charges	5,648	-	-	18,831	24,479
Interest revenue	824	978	759	1,021	3,582
Net increase (decrease) in fair value of investments	(21)	-	(103)	(127)	(251)
Contributions	-	-	3,452	626	4,078
Intergovernmental revenues	-	-	-	17,229	17,229
Other	1,350	131	2	1,755	3,238
Total Revenues	142,456	40,200	4,110	43,825	230,591
EXPENDITURES					
Current-					
General government	27,431	-	-	962	28,393
Public safety	85,017	-	-	6,589	91,606
Public works	17,826	-	22,347	19,583	59,756
Public health	1,931	-	-	68	1,999
Parks and recreation	12,111	-	-	17,870	29,981
Public welfare	-	-	-	6,311	6,311
Convention and event services	-	-	-	5,426	5,426
Debt service-					
Principal retirement	-	27,860	-	-	27,860
Interest and fiscal charges	-	15,663	-	-	15,663
Total Expenditures	144,316	43,523	22,347	56,809	266,995
Excess (deficiency) of revenues over (under) expenditures	<u>(1,860)</u>	<u>(3,323)</u>	<u>(18,237)</u>	<u>(12,984)</u>	<u>(36,404)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from general obligation bonds	-	-	18,350	6,570	24,920
Transfers in	5,332	3,330	-	5,817	14,479
Transfers out	(4,426)	-	(100)	(4,705)	(9,231)
Total Other Financing Sources and Uses	906	3,330	18,250	7,682	30,168
Net Change in Fund Balances	(954)	7	13	(5,302)	(6,236)
Fund Balances, October 1, As Restated	21,661	1,740	30,832	41,237	95,470
Fund balances, September 30	\$ 20,707	\$ 1,747	\$ 30,845	\$ 35,935	\$ 89,234

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ (6,236)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,994
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,574
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,993
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(5,100)
Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities	(2,083)
Change in net assets of governmental activities	<u>\$ 8,142</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitary Landfill	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 6,748	\$ 28,922	\$ 35,670	\$ 11,232
Investments	-	-	-	3,426
Restricted Assets				
Bond contingency-				
Investments	7,806	-	7,806	-
Accrued Interest	127	-	127	-
Capital construction investments	31,236	-	31,236	-
Meter deposit investments	3,522	-	3,522	-
Receivables (net of allowances				
for uncollectables):				
Trade accounts	6,704	-	6,704	96
Accrued interest	-	-	-	38
Unbilled trade accounts	5,456	-	5,456	-
Other	340	463	803	-
Inventory of supplies, at cost	406	7,764	8,170	229
Total Current Assets	62,345	37,149	99,494	15,021
Non-Current Assets:				
Restricted Assets:				
Bond contingency-investments	4,349	-	4,349	-
Capital construction-				
Investments	4,055	-	4,055	-
Assessments receivable	4	-	4	-
Total Restricted Assets	8,408	-	8,408	-
Capital Assets:				
Land	4,828	4,618	9,446	-
Buildings and improvements	2,833	13,602	16,435	467
Water and sewer system	433,787	-	433,787	-
Machinery and equipment	9,551	3,293	12,844	28,607
Accumulated depreciation	(133,239)	(13,857)	(147,096)	(17,263)
Construction-in-progress	60,987	469	61,456	-
Total Capital Assets Net of Accumulated				
Depreciation	378,747	8,125	386,872	11,811
Total Noncurrent Assets	387,155	8,125	395,280	11,811
Total Assets	\$ 449,500	\$ 45,274	\$ 494,774	\$ 26,832

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2002
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitary Landfill	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 3,766	\$ 166	\$ 3,932	\$ 523
Accrued compensated absences- Current	55	2	57	14
Revenue bonds, net of discount, payable from unrestricted assets- Current	7,502	-	7,502	-
Capital lease obligation- Current	-	-	-	123
Total Current Liabilities	11,323	168	11,491	660
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued Liabilities	1,283	-	1,283	-
Retainage	471	-	471	-
Accrued interest	1,740	-	1,740	-
Estimated claims payable- current	-	-	-	5,522
Revenue bonds payable, current	3,855	-	3,855	-
Meter deposits	3,522	-	3,522	-
Total Current Liabilities Payable From Restricted Assets	10,871	-	10,871	5,522
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	3,392
Compensated absences	1,575	97	1,672	423
Landfill closure accrued liabilities	-	12,049	12,049	-
Revenue bonds, net of discount payable from unrestricted assets	83,218	-	83,218	-
Total Noncurrent Liabilities	84,793	12,146	96,939	3,815
Total Liabilities	106,987	12,314	119,301	9,997
NET ASSETS				
Invested in capital assets, net of related debt	299,616	8,125	307,741	11,811
Unrestricted	42,897	24,835	67,732	5,024
Total Net Assets	\$ 342,513	\$ 32,960	375,473	\$ 16,835
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(403)	
Net assets of business-type activities			<u>\$ 375,070</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitary Landfill	Total	
Operating Revenues:				
Water sales	\$ 45,855	\$ -	\$ 45,855	\$ -
Sewer service	29,733	-	29,733	-
Landfill user charges	-	7,840	7,840	-
Service charges	-	-	-	26,081
Sundry	5,159	57	5,216	-
Total Operating Revenues	80,747	7,897	88,644	26,081
Operating Expenses:				
Purchase of water	13,059	-	13,059	-
Purchase of sewage treatment	16,091	-	16,091	-
Salaries and wages	10,998	1,149	12,147	2,426
Employees' retirement	1,368	124	1,492	309
Supplies	1,898	117	2,015	3,179
Maintenance and repairs	2,361	389	2,750	1,575
Utilities	1,392	56	1,448	161
Claims	-	-	-	15,875
Group health residual premium	-	-	-	1,343
Group health pooling premium	-	-	-	279
Legal	-	-	-	116
Franchise fees	3,813	-	3,813	-
Payment-in-lieu-of taxes	2,217	42	2,259	-
Depreciation	8,484	1,170	9,654	2,804
Closure/post-closure expense	-	1,846	1,846	-
Miscellaneous services	4,285	2,731	7,016	575
Total Operating Expenses	65,966	7,624	73,590	28,642
Operating Income	14,781	273	15,054	(2,561)
Nonoperating Revenues (Expenses):				
Interest revenue	1,590	804	2,394	449
Net increase (decrease) in the fair value of investments	(171)	(80)	(251)	(129)
Gain on sale of assets	-	-	-	309
Interest expense and fiscal charges	(1,856)	-	(1,856)	(11)
Total Nonoperating Revenues (Expenses)	(437)	724	287	618
Income before operating transfers and contributions	14,344	997	15,341	(1,943)
Contributions in aid of construction	6,636	-	6,636	-
Transfers in	-	-	-	232
Transfers out	(2,842)	(1,863)	(4,705)	(775)
Change in Net Assets	18,138	(866)	17,272	(2,486)
Total Net Assets, October 1, As Restated	324,375	33,826	358,201	19,321
Total Net Assets, September 30	\$ 342,513	\$ 32,960	\$ 375,473	\$ 16,835
Net change in net assets - total proprietary funds			\$ 17,272	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(403)	
Net assets of business-type activities			<u>\$ 16,869</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Sanitary Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 79,483	\$ 7,906	\$ 87,389	\$ 26,119
Cash payments to suppliers	(41,942)	(2,425)	(44,367)	(3,143)
Cash payments to employees	(12,180)	(1,267)	(13,447)	(23,140)
Net Cash Provided By Operating Activities	25,361	4,214	29,575	(164)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:				
Operating transfers in	-	-	-	232
Operating transfers out	(2,842)	(1,863)	(4,705)	(775)
Net Cash Used For Noncapital Financing Activities	(2,842)	(1,863)	(4,705)	(543)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(24,743)	(2,929)	(27,672)	(1,460)
Principal payments on capital lease	-	-	-	(57)
Interest payments on capital lease	-	-	-	(11)
Proceeds from sales of capital assets	-	-	-	309
Contribution in aid of construction	6,637	-	6,637	-
Receipt of special assessments	1	-	1	-
Proceeds from issuance of long-term debt	15,000	-	15,000	-
Repayment of long-term debt	(11,267)	-	(11,267)	-
Interest payment long-term debt	(5,107)	-	(5,107)	-
Net Cash Used For Capital And Related Financing Activities	(19,479)	(2,929)	(22,408)	(1,219)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	1,722	804	2,526	449
Net increase (decrease) in the fair value of investments	(171)	(80)	(251)	(129)
Purchase of investments	(114,251)	-	(114,251)	4,638
Maturities/sales of investments	103,173	-	103,173	-
Net Cash Provided By Investing Activities	(9,527)	724	(8,803)	4,958
Net Increase (Decrease) In Cash And Cash Equivalents	(6,487)	146	(6,341)	3,032
Cash And Cash Equivalents, October 1	13,235	28,776	42,011	8,200
Cash And Cash Equivalents, September 30	\$ 6,748	\$ 28,922	\$ 35,670	\$ 11,232
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income	\$ 14,781	\$ 273	\$ 15,054	\$ (5,733)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,484	1,170	9,654	2,804
Interest earnings capitalized	(303)	-	(303)	-
Interest expense capitalized	3,117	-	3,117	-
Amortization of bond discount	(131)	-	(131)	-
Amortization of deferred refunding loss	267	-	267	-
Provision for bad debts	229	-	229	-
(Increase) decrease in-				
Receivables	(1,492)	9	(1,483)	40
Inventory of supplies	63	1,196	1,259	51
less developer contributions	-	49	49	-
Increase (decrease) in-				
Accounts payable and accrued liabilities	392	(319)	73	172
Estimated claims payable	-	-	-	2,491
Retainage payable	(490)	(16)	(506)	-
Meter deposits	258	-	258	-
Accrued compensated absences	186	6	192	11
Closure/post-closure liability	-	1,846	1,846	-
Total adjustments	10,580	3,941	14,521	5,569
Net Cash Provided By Operating Activities	\$ 25,361	\$ 4,214	\$ 29,575	\$ (164)

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 8,461
Accounts receivable	-	3
Investments	68,383	135
Total Assets	<u>68,383</u>	<u>8,599</u>
LIABILITIES		
Accounts payable and accrued liabilities	1	8,464
IRC 401 deferred compensation plans	-	135
Total Liabilities	<u>1</u>	<u>8,599</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 68,382</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 2,360
Employee contributions	4,872
Net depreciation in fair value of investments	(6,323)
Total Additions	<u>909</u>
DEDUCTIONS	
Benefits	4,851
Plan administration	27
Total Deductions	<u>4,878</u>
Decrease in Net Assets	(3,969)
Net Assets, October 1	72,351
Net Assets, September 30	<u><u>\$ 68,382</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

The Comprehensive Annual Financial Report (the "Report") of the City includes all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. New Accounting Standards Adopted

In fiscal year 2002, the City adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- Statement No. 38 - *Certain Financial Statement Disclosures*
- Interpretation No. 6 - *Recognition and Measurements of Certain Liabilities & Expenditures in Governmental Fund Financial Statements*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

The City's implementation of these standards had the following impact on the City's financial statements:

- The City has historically capitalized all capital assets, excluding infrastructure. The City also has not recorded annual depreciation expense or the related accumulated depreciation. As of October 1, 2001, the City recorded infrastructure assets of \$651,969,000 and recognized \$370,766,000 in accumulated depreciation on all governmental activity assets that had not previously been recognized.
- Certain liabilities related to compensated absences and arbitrage had previously been recognized within the City's general fund. Upon implementation of GASB Interpretation No. 6 these items do not meet the definition of a governmental fund liability. Therefore, the amount accrued of \$1,178,000 for compensated absences and \$824,000 for arbitrage have been removed from fund liabilities and have been added to the beginning fund balance.

- The City recorded capital assets within certain Internal Service Funds totaling \$4,136,000 which had not been recorded at September 30, 2001.

As part of the City's efforts to implement these standards, the City identified several transactions that had occurred in previous years that were not recorded or recognized within the City's general ledger.

- The City recorded a liability of \$3,172,000 for the terminal reserve in the Group Health Internal Service Fund as of September 30, 2001.
- The City recognized revenues of \$614,000 related to certain governmental grants within the City's nonmajor governmental funds as of September 30, 2001, which had previously been recorded as deferred revenues.
- The Arlington Property Finance Authority Internal Service Fund recognized a capital contribution from the General Fund of \$7 million as of September 30, 2001, which had previously been recorded as deferred revenue.

A table depicting these changes follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>
Fund balance, beginning of year, as previously reported	\$19,659	\$40,713	\$11,357
Elimination of compensated absences accrual	1,178	-	-
Elimination of arbitrage liability	824	-	-
Record capital assets	-	-	4,136
Recognize deferred revenues	-	614	7,000
Record terminal reserve liability	-	-	(3,172)
Fund balance, beginning of year, as restated	<u>\$21,661</u>	<u>\$41,327</u>	<u>\$19,321</u>

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Streets Capital Projects Fund and Debt Services Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the City in fiscal year 2002.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements. This statement has become effective to the City in two phases – certain provisions became effective in fiscal year 2002 and certain other provisions will become effective in fiscal year 2003.

Interpretation 6 is an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a governmental fund liability/expenditure from the portion that should be reported as a general long-term liability (i.e., government-wide reporting only).

B. Reporting Entity

The City is governed by an elected mayor and nine-member council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Arlington Sports Facilities Development Authority, Inc.

The Arlington Sports Facilities Development Authority, Inc.'s (the "ASFDA") board of directors is appointed by the City Council. The ASFDA's management is designated by the City, and City employees are responsible for the ASFDA's daily operations. The City is financially accountable for the ASFDA's activities. Separate ASFDA component unit financial statements can be obtained from the City's Finance Department.

Arlington Housing Authority

The Arlington Housing Authority's (the "AHA") board of commissioners is appointed by the Mayor. The AHA's management is designated by the City. The employees who are responsible for daily operations of the AHA are City employees. The City has financial accountability over the AHA's activities. The audited financial statements of the AHA are prepared in accordance with accounting principles generally accepted in the United States (GAAP). Separate AHA component unit financial statements can be obtained from the AHA at 501 W. Sanford Street, Suite 20, Arlington, Texas 76010.

Arlington Convention and Visitors Bureau, Inc.

The Arlington Convention and Visitors Bureau, Inc.'s (the "ACVB") board of directors is appointed by the City Council. The primary source of revenue for the ACVB is a professional services support contract with the City; therefore, the City has financial accountability over the ACVB's activities. Separate ACVB component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation's (the "AHFC") board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. The AHFC does not issue separate financial statements.

Arlington Industrial Development Corporation

The Arlington Industrial Development Corporation's (the "AIDC") board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. The AIDC does not issue separate financial statements.

The financial statements of the following component units have been "blended" with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely to the City.

Arlington Property Finance Authority, Inc.

The Arlington Property Finance Authority's (the "APFA") board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, the APFA provides services entirely to the City and its employees.

Thrift Savings Plan

The Thrift Savings Plan's (the "Thrift") governing board and trustee are appointed by the City Council. The City Council also directs the operations of the Thrift and has a significant influence over its investment policies. Additionally, the Thrift provides services exclusively to City employees.

Disability Income Plan

The Disability Income Plan's (the "DIP") governing board is appointed by the City Council. Additionally, the City Council appoints the DIP trustee and significantly influences its activities. The DIP exclusively covers City employees.

Part-Time Deferred Income Trust

The Part-Time Deferred Income Trust's (the "PTDIT") governing board is appointed by the City Council. Additionally, the City Council appoints the PTDIT trustee and significantly influences its activities. The PTDIT exclusively covers City employees.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund and street improvements fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government wide level. To the extent possible, the cost of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with

prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

1. Governmental Funds:

The focus of Governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.
- b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Street capital project fund accounts for the financing and acquisition of right of way and construction of streets and related facilities. Funds are provided primarily through bond sales, and interest earnings.
- d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the major Proprietary Funds of the City:

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
- b. Sanitary Landfill Fund accounts for the operations of the City's landfill. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

3. Other Fund Types:

The City additionally reports for the following Fund types:

- a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

- b. Agency Funds are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers.
- c. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

4. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

E. Cash, Cash Equivalents and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the ASFDA, the Trust Funds, and the AHA, all of which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash equivalent account on the balance sheet. In addition, certain investments are separately held by several of the City's funds. Interest is allocated on a quarterly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which have maturities of three months or less are reported as cash equivalents.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreements; however, the City has not invested in such instruments during fiscal 2002.

In accordance with GASB Statement No. 31, investments are recorded at fair value.

Effective September 1, 1995, the legislature of the state of Texas amended the Public Funds Investment Act (the "Investment Act"). Effective September 1, 1997, the legislature further amended the Investment Act. The current Investment Act governs items such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed.

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used. Reported inventories in governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

G. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, "Capitalization of Interest Cost," the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2002, approximately \$2,814,000 of interest costs, net of \$303,000 of interest earned, were capitalized as fixed assets in the Water and Sewer Fund as part of the costs of constructing various projects. Total interest costs and interest earned in fiscal 2002 for the Water and Sewer Fund amounted to approximately \$1,856,000 and \$1,590,000, respectively.

I. Arbitrage Liability

The City accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable, on the accrual basis and as a reduction of interest income on the invested debt proceeds.

J. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (180 for fire fighters). For employees with more than five years of service, one-fourth of the total amount of accumulated sick pay up to a maximum of 120 days is paid at termination. The full amount accumulated up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$323,818,000 difference are as follows (amounts in thousands):

Bonds payable	\$299,650
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(50)
Accrued interest payable	1,978
Arbitrage rebate	824
Sales tax payable	1,491
Compensated absences	<u>19,925</u>
Net adjustment to reduce fund balance - total governmental funds	
To arrive at net assets - governmental activities	<u>\$323,818</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense." The details of the \$16,994,000 difference are as follows (amounts in thousands):

Capital outlay	\$49,704
Depreciation expense	<u>(32,710)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$16,994</u>

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,993,000 difference are as follows (amounts in thousands):

Debt issued or incurred:	
Issuance of general obligation bonds	(\$24,920)
Less: Issuance costs	53
Principal repayments:	
General obligation debt	<u>27,860</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,993</u>

Another element of that reconciliation states: "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$5,100,000 difference are as follows (amounts in thousands):

Compensated absences	(\$1,628)
Accrued interest expense	(1,978)
Amortization of issuance cost	(3)
Sales tax	<u>(1,491)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>(\$5,100)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit fund equity

The Group Health internal service fund deficit balance of \$1,766 is a result of the terminal reserve requirement. The contract with the current provider, Cigna HealthCare will end on December 31, 2002. Funds will be transferred from the General Fund in FY 03 once a majority of the run-out claims from the Cigna HealthCare contract have been paid.

Special Revenue funds, funded by State and Federal Grants, submit their expenses to associated governmental agencies for reimbursement. For the fiscal year ending September 30, 2002, the Home Investment Partnership fund deficit of \$73 is funded by Federal Grants, reimbursements from which will replenish the fund balance in the following fiscal year.

IV. DETAILED NOTES ON ALL FUNDS

1. DEPOSITS AND INVESTMENTS:

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2002. At year-end, the carrying amount of the City's demand deposits was an overdraft of \$(6,515,000) (bank balance, \$1,083,560). The bank balance was covered by collateral with a fair value of \$5,181,370. The collateral is held in the City's name by the Federal Home Loan Bank of Dallas, an agent of the City's financial institution. (Category 2 - Collateralized with securities held by the pledging financial institution's agent in the City's name).

Investments - State statutes and City Bond Ordinances authorize the City's investments. The City is authorized to invest in U. S. Government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, government pools and money market funds consisting of any of these securities listed. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counterpart's trust department or agent in the entity's name. Category 3 includes investments that are uninsured and unregistered, or for which the securities are held by the counterpart, or by its trust department or agent but not in the entity's name. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, not categorized for credit risk. The City has the ability and intent to hold investments until maturity and not realize losses due to market decline.

The City's investments carried at fair value as of September 30, 2002 are:

	<u>Category of Risk</u>	<u>Fair Value</u>
<u>Investments</u>		
Treasury Notes	(1)	\$ 96,372
Federal Home Loan Bank, Notes and Discount Notes	(1)	19,574
Federal Farm Credit Bank, Notes and Discount Notes	(1)	2,160
Federal National Mortgage Assoc., Notes and Discount Notes	(1)	34,392
Federal Home Loan Mortgage Assoc., Notes and Discount Notes	(1)	18,271
State and Local Government Securities	(1)	<u>3,731</u>
		174,500
<u>Deposits</u>		
Demand Deposits (all bank accounts)	(1)	<u>(6,515)</u>
		(6,515)
<u>Mutual Funds, Investment Pools and Other</u>		
TEXPOOL	N/A	19,987
Fidelity	N/A	3,922
Deferred Compensation Investments	N/A	135
Trust Fund Investments	N/A	68,383
Cash on Hand	N/A	<u>73</u>
		92,500
Total Investments and Deposits		<u>\$260,485</u>
<u>Component Units</u>		
	<u>Category of Risk</u>	<u>Fair Value</u>
<u>Investments</u>		
Treasury STRIPS	(1)	\$ 1,137
<u>Deposits</u>		
Certificates of Deposit	(1)	3,637
Demand Deposits	(1)	4,479
<u>Mutual Funds, Investment Pools and Other</u>		
TEXPOOL	N/A	205
U.S. Treasury Portfolio II	N/A	<u>944</u>
Total Investments and Deposits		<u>\$10,402</u>

Investments in the Retirement Security Plan are held by a bank trust department.

Investments of the City, other than for 2a7-like pools, are valued based upon quotes obtained from Interactive Data Corporation (IDC). Investments in 2a7-like pools, are valued based upon the value of pool shares. No investments are reported at amortized cost. The City currently invests in one 2a7-like pool, the Texas Local Government Investment Pool (Texpool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of Texpool and is a limited purpose trust company authorized pursuant to Texas Government Cod Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of Texpool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. Ch. 2256. The City's investment in Texpool and short-term investments (treasury money market funds) are not categorized because they are not evidenced by securities that exist in physical or book entry form.

A reconciliation of cash and investments as shown on the Statement of Net Assets for the City follows:
(amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>	<u>Reporting Entity</u>	<u>Fiduciary Funds</u>
Cash on Hand	\$ 73	\$ -	\$ 73	\$ -
Carrying Amount of Deposits	(14,976)	8,116	(6,860)	8,461
Carrying Amount of Investments	<u>198,409</u>	<u>2,286</u>	<u>200,695</u>	<u>68,518</u>
	<u>\$183,506</u>	<u>\$10,402</u>	<u>\$193,908</u>	<u>\$76,979</u>
Cash and Cash Equivalents	\$129,110	\$3,373	\$132,483	\$ 8,461
Investments	3,428	7,029	10,457	68,518
Investments-Restricted	<u>50,968</u>	<u>-</u>	<u>50,968</u>	<u>-</u>
	<u>\$183,506</u>	<u>\$10,402</u>	<u>\$193,908</u>	<u>\$76,979</u>

2. PROPERTY TAXES:

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1, and increase each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2001, upon which the original 2002 levy was based, was \$13,513,379,000.

City property tax revenues are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2002, the City had a tax rate of \$0.6340 per \$100 valuation with a tax margin of \$1.8660 per \$100 valuation based upon a maximum ad valorem tax of \$2.50 per \$100 valuation permitted by ArticleXI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately \$252,159,000 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$13,513,379,000.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

3. RECEIVABLES:

Receivables at September 30, 2002 for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

(Amounts expressed in thousands)

	General	Debt Service	Streets Capital Projets	Water & Sewer	Sanitary Landfill	Nonmajor Governmental Funds	Total
Receivables:							
Taxes	\$ 7,286	\$ -	\$ -	\$ -	\$ -	\$ 1,235	\$ 8,521
Trade Accounts	7,053	-	-	8,985	-	-	16,038
Unbilled Trade Accounts	-	-	-	5,456	-	-	5,456
Special Assessments	-	-	528	-	-	-	528
Sales Taxes	7,210	-	-	-	-	-	7,210
Accrued Interest	790	-	-	-	-	-	790
Other	2,290	-	-	340	463	3,013	6,106
Gross Receivables	24,629	-	528	14,781	463	4,248	44,649
Less: Allowance for Uncollectibles	(4,160)	-	-	(2,281)	-	(125)	(6,566)
Net total Receivables	\$ 20,469	\$ -	\$ 528	\$ 12,500	\$ 463	\$ 4,123	\$ 38,083

4. CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2002 was as follows:

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 63,120	\$ 5,253	\$ -	\$ 68,373
Construction in progress	105,402	45,523	(40,517)	110,408
Total capital assets, not being depreciated	168,522	50,776	(40,517)	178,781
Capital assets, being depreciated:				
Buildings	79,025	6,532	\$ -	85,557
Improvements other than buildings	47,413	5,607	-	53,020
Equipment	35,308	2,139	(668)	36,779
Infrastructure	651,969	26,427	-	678,396
Total capital assets being depreciated	813,715	40,705	(668)	853,752
Less accumulated depreciation for:				
Buildings	20,284	1,642	-	21,926
Improvements other than buildings	14,666	2,015	-	16,681
Equipment	18,787	3,828	(836)	21,779
Infrastructure	331,488	28,021	(706)	358,803
Total accumulated depreciation	385,225	35,506	(1,542)	419,189
Total capital assets, being depreciated, net	428,490	5,199	874	434,563
Governmental activities capital assets, net	\$ 597,012	\$ 55,975	\$ (39,643)	\$ 613,344

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Water and sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 4,828	\$ -	\$ -	\$ 4,828
Construction in progress	78,011	17,738	(34,762)	60,987
Total capital assets, not being depreciated	82,839	17,738	(34,762)	65,815
Capital assets, being depreciated:				
Buildings and Improvements	2,833	-	-	2,833
Water and sewer system	392,140	41,647	-	433,787
Machinery and equipment	9,431	120	-	9,551
Total capital assets being depreciated	404,404	41,767	-	446,171
Less accumulated depreciation for:				
Buildings and Improvements	699	53	-	752
Water and sewer system	115,570	8,181	-	123,751
Machinery and equipment	8,486	250	-	8,736
Total accumulated depreciation	124,755	8,484	-	133,239
Total capital assets, being depreciated, net	279,649	33,283	-	312,932
Water and sewer activities capital assets, net	\$ 362,488	\$ 51,021	\$ (34,762)	\$ 378,747

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Sanitary Landfill:				
Capital assets, not being depreciated:				
Land	\$ 4,618	\$ -	\$ -	\$ 4,618
Construction in progress	445	24	-	469
Total capital assets, not being depreciated	5,063	24	-	5,087
Capital assets, being depreciated:				
Buildings and Improvements	10,697	2,905	-	13,602
Machinery and equipment	3,293	-	-	3,293
Total capital assets being depreciated	13,990	2,905	-	16,895
Less accumulated depreciation for:				
Buildings and Improvements	9,933	1,032	-	10,965
Machinery and equipment	2,753	139	-	2,892
Total accumulated depreciation	12,686	1,171	-	13,857
Total capital assets, being depreciated, net	1,304	1,734	-	3,038
Sanitary Landfill activities capital assets, net	\$ 6,367	\$ 1,758	\$ -	\$ 8,125

Depreciation expense was charged to functions/programs of the primary government as follows:

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,446	\$ -	\$ -	\$ 9,446
Construction in progress	78,456	17,762	(34,762)	61,456
Total capital assets, not being depreciated	87,902	17,762	(34,762)	70,902
Capital assets, being depreciated:				
Buildings and Improvements	13,530	2,905	-	16,435
Water and sewer system	392,140	41,647	-	433,787
Machinery and equipment	12,724	120	-	12,844
Total capital assets being depreciated	418,394	44,672	-	463,066
Less accumulated depreciation for:				
Buildings and Improvements	10,632	1,084	-	11,717
Water and sewer system	115,570	8,181	-	123,751
Machinery and equipment	11,239	389	-	11,628
Total accumulated depreciation	137,441	9,654	-	147,096
Total capital assets, being depreciated, net	280,953	35,018	-	315,970
Business-type activities capital assets, net	\$ 368,855	\$ 52,780	\$ (34,762)	\$ 386,872
Governmental activities:				
General Government			\$ 1,745	
Public Safety			117	
Parks and recreation			1,914	
Public works			28,901	
Public health			33	
Capital assets held by the government's internal service				
Funds are charged to the various functions based on Their usage of the assets			2,796	
Total depreciation expense – governmental activities			\$35,506	
Business-type activities:				
Water and sewer			\$8,484	
Sanitary landfill			1,170	
Total depreciation expense – business-type activities			\$9,654	

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

<u>Class</u>	
Building and Improvements	40-50 years
Machinery and equipment	4-10 years
Water and sewer systems	50 years
Infrastructure	20-50 years

Discretely presented component units

	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
Arlington Sports Facilities Development Authority, Inc.:				
Capital assets, not being depreciated:				
Land	\$ 43,515	\$ -	\$ -	\$ 43,515
Total capital assets, not being depreciated	43,515	-	-	43,515
Capital assets, being depreciated:				
Buildings and Improvements	157,625	-	-	157,625
Total capital assets being depreciated	157,625	-	-	157,625
Less accumulated depreciation for:				
Buildings and Improvements	27,616	3,682	-	31,298
Total accumulated depreciation	27,616	3,682	-	31,298
Total capital assets, being depreciated, net	130,009	(3,682)	-	126,327
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	\$ 173,524	\$ (3,682)	\$ -	\$ 169,842
	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
Arlington Housing Authority:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,060	\$ 40	\$ -	\$ 1,100
Total capital assets being depreciated	1,060	40	-	1,100
Less accumulated depreciation for:				
Machinery and equipment	525	30	-	555
Total accumulated depreciation	525	30	-	555
Total capital assets, being depreciated, net	535	10	-	545
Arlington Housing Authority activities capital assets, net	\$ 535	\$ 10	\$ -	\$ 545

	Balance at Beginning Of Year	Additions	Transfers And Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 393	\$ 57	\$ -	\$ 450
Total capital assets being depreciated	393	57	-	450
Less accumulated depreciation for:				
Machinery and equipment	251	49	-	300
Total accumulated depreciation	251	49	-	300
Total capital assets, being depreciated, net	142	8	-	150
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	\$ 142	\$ 8	\$ -	\$ 150

5. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 758 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714 or by calling 512-476-7577.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 7 percent, and the City matching percent is currently 200 percent, both as adopted by the City Council. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially

determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution requirements are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401 (k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2002, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$67,220,000.

The City's total payroll during fiscal 2002 was \$120,982,000. The current year contribution was calculated based on a covered payroll of \$90,564,000, resulting in a required and actual employer contribution of \$2,011,000 and actual employee contributions of \$4,791,000. The employer contribution represents 2.2 percent of the covered payroll. The employee contribution represents approximately 5.3 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2002. There were no related-party transactions.

Part-Time Deferred Income Trust

The City provides retirement benefits for all part-time, seasonal, and temporary employees through the Part-time Deferred Income Trust Plan (the "PDIT"), a single-employer defined benefit plan administered by the City of Arlington's Human Resources Department. The PDIT was adopted by the City Council in accordance with the safe harbor rules of the Internal Revenue Service regulations. The PDIT does not issue separate stand-alone financial statements.

The contribution rate for employees is 3 percent, and the City's actuarially determined matching percent is currently 2.3 percent. The City's required contribution rate was determined as part of the July 1, 2000, actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities. As a result of this study, it was determined that the City's portion was over funded and therefore no contribution was made by the City for fiscal year 2002. For 2002, 2001, 2000, 1999, 1998, and 1997 the City contributed 100 percent of the annual pension cost totaling approximately \$0, \$0, \$75,000, \$69,000, \$59,000, and \$59,000 respectively.

Benefits depend on length of service to the City and the employee's total contributions. At normal retirement age (65), the benefit consists of monthly payments equal to a percentage of the employee's average pay multiplied by years of service. The percentage of the employee's pay ranges from 1.50 percent to 2.00 percent, depending on the number of months service.

IRC 457 Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by Fidelity Investments. In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by the International City Management Association Retirement Corporation (the "ICMA"). Due to the fact that the City does not administer these plans, these plans are not included in the City's financial statements.

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (the "DIP"), a single-employer disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund. As of July 1, 2002, the date of the latest actuarial valuation, the DIP had benefit liabilities to disabled participants of \$3,104,000. The market value of DIP assets at July 1, 2002, was \$288,000. The resulting unfunded DIP liability of \$2,816,000 will be funded by employer contributions over 30 years.

City contributions for the above plans for the year ended September 30, 2002, are as follows (amounts in thousands):

TMRS	\$14,099
THRIFT	2,011
PTDIT	-
DIP	<u>349</u>
	<u>\$16,459</u>

Other Post employment Benefits

The City provides postretirement health care benefits to eligible employees who retire from the City with at least 10 years of service with the City of Arlington. Currently, 432 retirees meet those eligibility requirements. Retirees may select from two HMO's and two PPO plans. The City coordinates with Medicare as the primary payer for retirees and/or their dependents age 65 and older. Expenditures for postretirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$1,707,000 were recognized for postretirement health care.

6. LONG-TERM DEBT:

General Long-Term Debt

The City issued \$23,820,000 of Permanent Improvement Bonds, Series 2002. The City also issued \$1,100,000 of Combination Tax and Revenue Certificates of Obligation, Series 2002, during FY 2002 at an effective interest rate of 4.33 percent, with all issuances scheduled to mature serially from 2003 to 2022. The bond and certificate proceeds will be used to make various capital improvements.

The City received a determination in 2002 by the State of Texas Comptroller's office that the City had received \$2,228,186 in sales tax receipts from the Comptroller's office in error over the past several years. The Comptroller's office agreed to allow the City to repay the excess sales tax revenue interest free over a period of ten years through reduced sales tax allocations from the state. The state will withhold \$18,568 monthly from the City's sales tax allocations beginning in March 2003. As of September 30, 2002, this was accounted for as a long-term liability of \$1,491,319 in the governmental activities and \$736,867 in the component units of the statement of net assets with a corresponding expense in the statement of activities. Beginning in 2003, as sales tax allocations are reduced monthly, the City will record an expense at the fund level to reduce the liability and record sales tax revenue for the amount of the monthly sales tax allocation withheld by the Comptroller's office. The City will also record a fund liability to the extent that sales tax revenues are recognized and accrued at year-end.

General long-term debt balances and transactions for the year ended September 30, 2002, are as follows (amounts in thousands):

	Balance, October 1, 2001	Additions	Retirements and Other	Balance, September 30, 2002	Due Within One Year
General obligation debt ⁽¹⁾	\$302,590	\$24,920	\$(27,860)	\$299,650	\$27,420
Accrued compensated absences	17,280	1,639	1,443	20,362	1,192
Claims Payable	6,423	2,617	(126)	8,914	5,522
Sales tax payable	-	1,491	-	1,491	112
Total	<u>\$326,293</u>	<u>\$30,667</u>	<u>\$(26,543)</u>	<u>\$330,417</u>	<u>\$34,246</u>

⁽¹⁾ The general obligation debt of \$299,650 consists of serial and term bonds and certificates of obligation payable from general property taxes. The bonds mature annually in varying amounts through fiscal year 2022, and interest is payable semiannually at rates ranging from 2.35 percent to 8.90 percent.

The principal and interest requirements of the above general obligation debt at September 30, 2002, are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Total
2003	\$ 27,420	\$ 15,245	\$ 42,665
2004	27,480	13,767	41,247
2005	24,975	12,373	37,348
2006	22,870	11,131	34,001
2007	20,730	9,977	30,707
2008-2012	86,610	35,530	122,140
2013-2017	65,225	15,551	80,776
2018-2022	<u>24,340</u>	<u>2,772</u>	<u>27,112</u>
	<u>\$299,650</u>	<u>\$116,346</u>	<u>\$415,996</u>

General obligation debt authorized and unissued as of September 30, 2002, amounted to \$46,635,000.

Debt of the Enterprise Funds

The City issued \$15,000,000 of Water and Wastewater System Revenue Bonds, Series 2002 during 2002 at an effective interest rate of 4.75 percent and are scheduled to mature serially from 2003 to 2021. The bond proceeds will be used to improve and extend the City's Water and Wastewater System.

The revenue bonds of the Enterprise Funds are payable from operations of the Water and Sewer Fund. The bonds mature annually in varying amounts through fiscal year 2021, and interest is payable semiannually at rates ranging from 3.5 percent to 7.5 percent. Debt balances and transactions for the year ended September 30, 2002, are as follows (amounts in thousands):

	Balance, October 1, 2001	Additions	Retirements and Other	Balance, September 30, 2002	Due Within One Year
Waterworks and Sewer System- Revenue bonds	\$90,955	\$15,000	\$(11,380)	\$94,575	\$11,357
Deferred amount on refunding	(113)	-	113	-	-
Total	<u>\$90,842</u>	<u>\$15,000</u>	<u>\$(11,267)</u>	<u>\$94,575</u>	<u>\$11,357</u>

The revenue bonds are collateralized by the revenue of the water and sewer system and assets of various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is first to be used to pay operating and maintenance expenses of the system and secondly to establish and maintain the special funds. Any remaining revenues may then be used for any lawful

purpose. The ordinances also contain provisions, which restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts calculated in accordance with provisions of the existing bond ordinances and certain financial ratios are met.

The principal and interest requirements at September 30, 2002, for the enterprise fund debt for the next five years and, thereafter, are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Waterworks and Sewer System Revenue Bonds</u>
2003	\$ 11,635	\$ 4,872	\$ 16,507
2004	10,560	4,063	14,623
2005	9,205	3,550	12,755
2006	8,460	3,107	11,567
2007	7,705	2,698	10,403
2008-2012	24,515	9,165	33,680
2013-2017	15,770	3,856	19,626
2018-2021	<u>6,725</u>	<u>731</u>	<u>7,456</u>
	<u>\$94,575</u>	<u>\$32,042</u>	<u>\$126,617</u>

Long-Term Debt of the Discretely Presented Component Units

As part of the Incremental Funding, as defined in the Agreement, on February 2, 1993, the Authority authorized the issuance of \$20,124,000 Junior Lien Revenue Bonds, First Series (the "Bonds"). The Bonds are noninterest-bearing limited special obligations of the Authority, secured by a subordinated junior lien on the one-dollar ticket surcharge, up to \$2,000,000 annually, remaining after any amounts needed to pay interest and principal on the Notes and the Junior Lien Revenue Notes, as hereinafter defined. The Bonds are due on December 31, 2008, and are callable at any time at the option of the Authority. As of September 30, 2002, \$17,109,350 in Bonds were outstanding. Proceeds from the Bonds were used toward the development of the Project.

7. PRIOR YEAR BOND REFUNDINGS

In prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2002, previously defeased debt still outstanding amounted to \$55,775,000.

8. INTERFUND TRANSACTIONS:

A summary of interfund receivables and payables at September 30, 2002 is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$1,817	\$ -
Nonmajor Funds	<u>-</u>	<u>1,817</u>
	<u>\$1,817</u>	<u>\$1,817</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2003.

Transfers between funds during the year were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 4,426	\$ 5,332
Debt Service Fund	-	3,330
Street Capital Projects Fund	<u>100</u>	<u>-</u>
Total Major Governmental Funds	4,526	8,662
Nonmajor Governmental Funds:		
Special Revenue Funds		
Park Performance	298	-
Texas Criminal Justice Division	-	234
Convention & Event Services	2,332	368
Federal Transit Administration – Handitran	-	422
Texas Parks & Wildlife	-	397
U.S. Department of Justice	-	836
Texas Department of Transportation	-	158
Street Maintenance	-	2,161
Other Special Revenue	171	770
Community Development Block grant	<u>19</u>	<u>-</u>
Total Special Revenue Funds	<u>2,820</u>	<u>5,346</u>
Capital Projects Funds:		
Municipal Office Tower	\$ -	\$ 150
Park	1,413	309
Airport	-	12
Fire	150	-
Traffic	49	-
Cooper House Project	<u>273</u>	<u>-</u>
Total Capital Projects Funds	<u>1,885</u>	<u>471</u>
Major Enterprise Funds:		
Water & Sewer	2,842	-
Sanitary Landfill	<u>1,863</u>	<u>-</u>
Total Major Enterprise Funds	<u>4,705</u>	<u>-</u>
Internal Service Funds:		
Arlington Property Finance Authority – APFA	775	-
Fleet Services	-	232
Technology Services	<u>-</u>	<u>-</u>
Total Internal Service Funds	<u>775</u>	<u>232</u>
Total All Funds	<u>\$14,711</u>	<u>\$14,711</u>

The combined Water and Sewer, Convention and Event Services, Arlington Property Finance Authority, and Sanitary Landfill Funds transferred \$3,923,000 to the General Fund to cover their budgeted indirect costs. The Sanitary Landfill also transferred \$1,231,000 to the General Fund for repayment of land.

The General Fund transferred \$3,502,000 to Street Maintenance Fund, Special Transportation (Handitran), and other special revenue funds to cover budgeted operating expenses. To fund on-going scheduled maintenance, Infrastructure Maintenance Reserve received \$332,000 from the General Fund.

The Debt Service Fund received budgeted transfers of \$3,330,000 from the Water and Sewer, Convention and Event Services, Sanitary Landfill and Park Performance Funds to cover debt service repayments.

9. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The City accounts for its landfill closure and post-closure care costs in accordance with GASB No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs."

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$12,049,000 reported as a landfill closure accrued liability at September 30, 2002, represents the cumulative amount reported to date based on the use of approximately 83 percent of the estimated capacity of the active cells of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$6,620,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2002. The City expects to close the landfill in 2007. Actual costs may change due to inflation, changes in technology, or changes in regulations.

Under state regulations, the City will be required to demonstrate financial assurance that it will fulfill its responsibility for closure and post-closure care of the landfill. The City can demonstrate financial assurance through several mechanisms, including establishing a trust fund, obtaining a surety bond or letter of credit, obtaining insurance or meeting certain financial tests. The City believes that it will meet the financial tests outlined by the state and will not be obligated to demonstrate financial assurance through one of the other mechanisms.

10. COMMITMENTS AND CONTINGENCIES:

Trinity River Authority

The City entered into a fifty-year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Payments by the City are based on metered usage, at rates designed to charge the City a pro rata share of the TRA's annual operating and maintenance expenses, and principal and interest requirements on bonds issued by the TRA.

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has active construction projects as of September 30, 2002. The projects include street construction, park construction, and the construction of water and sewer facilities. At year end the City's commitments with contractors are as follows (amounts in thousands):

<u>Project</u>	<u>Spend-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 48,123	\$12,739
Park Construction	26,880	1,093
Water and Sewer Construction	71,368	6,977
	<u>\$146,381</u>	<u>\$20,809</u>

The street construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer system.

Litigation

The City is involved in a class action lawsuit in which the plaintiff alleges that the City's street maintenance fee as approved by the City Council in October 2000 is an illegal tax. The trial court has concluded that the fee is invalid; however, a final ruling and remedy has not yet been issued by the court. The range of exposure to the City in the event of a refund ruling is \$8,200,000 to \$9,200,000. The probability of an unfavorable outcome cannot be determined at this time. Accordingly, no accrual has been made.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 11) or insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position, as a whole.

11. RISK MANAGEMENT:

The City's risk management activities are administered through various internal service funds.

Arlington Property Finance Authority (APFA)

The APFA was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance to establish the City's Self-insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

Based upon the historical claims experience of the City, an analysis of the limits on certain liabilities of the City under Texas law, the payment limitations from the APFA Fund set forth in the Program Ordinance and other actuarial considerations, independent consulting actuaries (the "Actuaries") estimated that a deposit of \$10,000,000 in the APFA Fund would provide primary, or first dollar, self-insurance coverage adequate to pay all claims against the City for damages related to injuries that arise out of the above-named risks and to pay the cost and expenses of the APFA Fund for a period of ten years. The APFA issued \$9,000,000 of notes payable and the City transferred \$1,000,000 from the General Fund in order to fund the Program. In May 1992, \$5,000,000 principal amount of the Risk Management Notes were paid, leaving \$4,000,000 principal amount outstanding. In August 2001, the City Council adopted an ordinance to extend the program for another four years, when it will expire on September 30, 2005. On August 28, 1996, the City of Arlington Property Finance Authority passed a resolution calling the Notes for early redemption on November 1, 1996. The Notes were redeemed at par on November 1, 1996. On January 12, 1999, the City issued \$7,000,000 of Certificates of Obligation, Series 1999 to capitalize the Fund for an additional five years based on a recent actuarial study of the program. The \$7,000,000 will be repaid from ad valorem taxes. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed \$1,000,000 per occurrence and \$3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 4.5 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$1,568,000 at September 30, 2002.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of \$300,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims

and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 4.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately \$3,889,000 at September 30, 2002.

Group Health

The City's group health insurance plan provides City employees with health insurance through the Group Health Fund (the "GHF"). The premiums for such insurance coverage are paid using funds obtained from payroll deductions and charges to City departments. The City's annual payments related to employee claims is limited to the annual aggregate premium due to the insurance company. This three year contract was effective January 1, 2000, and expires December, 2002. However, the City's liability includes a terminal reserve that will be due and payable at the contracts expiration. The aggregate premium paid to the insurance company does not include any amounts related to this terminal reserve. These liabilities are reported in the accompanying financial statements at their present value of approximately \$3,457,000 at September 30, 2002.

Changes in the balances of claims liabilities during fiscal 2002 and 2001 were as follows (amounts in thousands):

<u>Fiscal 2002</u>	<u>October 1</u>	<u>Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>September 30</u>
APFA	\$1,694	\$ 29	\$ (155)	\$1,568
Workers' Compensation	3,402	3,491	(3,004)	3,889
Group Health	<u>4,499</u>	<u>12,547</u>	<u>(13,589)</u>	<u>3,457</u>
	<u>\$9,595</u>	<u>\$16,067</u>	<u>(\$16,748)</u>	<u>\$8,914</u>
 <u>Fiscal 2001</u>				
APFA	\$1,651	\$ 656	\$ (613)	\$1,694
Workers' Compensation	3,409	2,241	(2,248)	3,402
Group Health	<u>2,579</u>	<u>13,040</u>	<u>(11,120)</u>	<u>4,499</u>
	<u>\$7,639</u>	<u>\$15,937</u>	<u>(\$13,981)</u>	<u>\$9,595</u>

12. LEASE AGREEMENTS

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel, commercial and office complex and business park. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, and throughout the remainder of the lease term, annual rental payments shall be the greater of 0.5 percent of gross revenues or an aggregate of \$750,000. Total rental payments received in 2002 were approximately \$207,000.

13. DISPUTE SETTLEMENT AGREEMENT

On April 27, 1999, the ASFDA and the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Texas Rangers baseball club (the "Rangers"). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the ASFDA and the City alleged should be paid by the Rangers (the "Claim"). The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the Authority on or before December 31 of each year as follows:

<u>Year</u>	<u>Amount</u>
2002 to 2003	\$ 500,000
2004 to 2009	800,000
2010	900,000
2011 to 2024	1,000,000

The payment in 2024 is due on or before March 1. By entering into this agreement, the ASFDA and the City agreed to release and discharge the Rangers from the Claim.

14. CAPITAL LEASE

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the Arlington Sports Facilities Development Authority, Inc. for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of \$2,000,000 per year for the 30-year term of the lease. An additional rent of \$1,500,000 per year is to be paid as long as the Sales Tax bonds issued to pay the costs of the Project are outstanding. The Sales Tax bonds were retired in November 2001. Upon retirement or defeasance of the debt, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of \$60,000,000, with full credit given for all base and additional rents paid, as well as up to \$1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease in the component unit, Arlington Sports Facilities Development Authority, Inc. Accordingly, a lease receivable has been established representing the future expected lease proceeds. As of September 30, 2002, the lease receivable balance was \$43,634,721, with a corresponding deferred revenue balance.

Minimum future rentals is as follows:

<u>September 30</u>	
2003	\$ 2,000,000
2004	2,000,000
2005	2,000,000
2006	2,000,000
2007	2,000,000
2008-2012	10,000,000
2013-2017	10,000,000
Thereafter	<u>13,634,721</u>
Minimum future lease rentals	<u>\$43,634,721</u>

15. CONDENSED COMPONENT UNIT INFORMATION

The City includes five component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2002, for all discretely presented component units is as follows (amounts in thousands):

Condensed Statement of Net Assets

	Arlington Sports Facilities Development Authority, Inc. <u>2002</u>	Nonmajor Discretely Presented Component Units <u>2002</u>	Total Discretely Presented Component Units <u>2002</u>
Current and other assets	\$ 61,393	\$ 4,311	\$ 65,704
Capital assets	<u>169,842</u>	<u>695</u>	<u>170,537</u>
Total assets	<u>231,235</u>	<u>5,006</u>	<u>236,241</u>
Long-term liabilities outstanding	<u>17,791</u>	-	<u>17,791</u>
Other liabilities	<u>43,750</u>	<u>1,068</u>	<u>44,818</u>
Total liabilities	<u>61,541</u>	<u>1,068</u>	<u>62,609</u>
Net assets:			
Invested in capital assets, of related debt	152,733	695	153,428
Restricted	1,455	-	1,455
Unrestricted	<u>15,506</u>	<u>3,243</u>	<u>18,749</u>
Total net assets	<u>\$169,694</u>	<u>\$ 3,938</u>	<u>\$173,632</u>

Condensed Statement of Activities

	Arlington Sports Facilities Development Authority, Inc. <u>2002</u>	Nonmajor Discretely Presented Component Units <u>2002</u>	Total Discretely Presented Component Units <u>2002</u>
Expenses	<u>\$ 16,765</u>	<u>\$25,549</u>	<u>\$ 42,314</u>
Program Revenues:			
Charges for services	2,213	2,552	4,765
Operating grants and contributions	-	22,893	22,893
Capital grants and contributions	-	47	47
Net Program (Expense) Revenue	<u>(14,552)</u>	<u>(57)</u>	<u>(14,609)</u>
Tax Revenues	3,432	-	3,432
Other NonTax General Revenues	<u>225</u>	<u>125</u>	<u>350</u>
Change in Net Assets	(10,895)	68	(10,827)
Net Assets, October 1	<u>180,589</u>	<u>3,870</u>	<u>184,459</u>
Net Assets, September 30	<u>\$169,694</u>	<u>\$ 3,938</u>	<u>\$173,632</u>

16. SUBSEQUENT EVENTS

On February 15, 2003, the City authorized the issuance of \$11,720,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2003, with interest rates ranging from 2.00 percent to 4.00 percent, and are scheduled to mature in varying amounts through 2015.